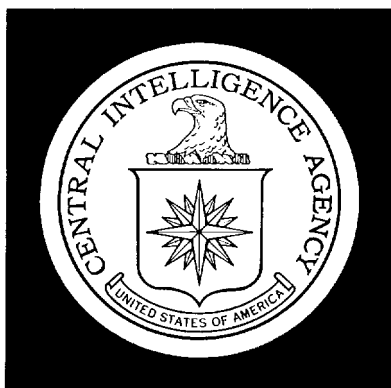


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State Department review completed

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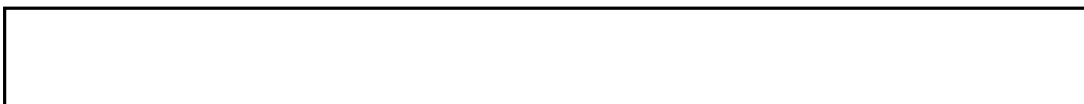
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SOUTH VIETNAM: The Communists reportedly are moving small amounts of supplies by sea into southern South Vietnam and nearby Cambodian territory.

These areas reportedly being supplied by sea are far removed from the main overland logistic route through southern Laos. Furthermore, the last deliveries from Kompong Som (Sihanoukville) to South Vietnam's Military Region 4 occurred in January 1970, and since the allied cross-border operations last spring there have been several reports of ammunition shortages in MR-4. The Communists may be making an effort to solve these logistic problems in the area by bringing in supplies in small craft.

[redacted] munitions and other supplies move by motorized junks from Phu Quoc Island in the Gulf of Thailand to the Pirate Islands, located about nine miles off the coast.

[redacted] the Communists use the Pirate Islands as a transshipment point [redacted]

At the Pirate Islands, supply shipments are said to be divided into smaller quantities and loaded onto shallow-draft sampans. The goods move inland via the maze of rivers in the region and most end up at major Communist supply depots in Kampot Province, Cambodia and in Kien Giang Province, South Vietnam. These depots are [redacted] major supply and storage points for enemy units in the area.

The US Navy maintains a trawler detection system off the coast, and it seems unlikely that the

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enemy has been able to move large quantities of supplies in from the open sea to Phu Quoc Island. The South Vietnamese also patrol closer to the coast, but the enemy has traditionally been able to shuttle some supplies along the coast in sampans and junks, and there is a good possibility that some supplies are being moved from Phu Quoc Island to the mainland in this manner.

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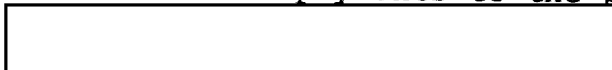
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JAPAN: Tokyo has declined a British Government request to join with other major oil consumers in resisting OPEC demands for higher crude oil revenues.

Japan, the world's largest crude oil importer, is heavily dependent on imported oil; domestic production accounts for only about one percent of Japanese consumption. Almost all of Japan's imported crude oil is from OPEC countries, of which about 85 percent is produced by US and West European companies.

Tokyo apparently intends to rely on the international companies and US and West European governments to protect its interests as a consumer. Such a course is probably dictated by Tokyo's desire to maintain friendly relations with OPEC countries. The Japanese need mineral rights in these countries to achieve their goal of increasing the proportion of imported oil produced by Japanese companies. Moreover, by refusing to play an active part, the Japanese probably feel they will be in a better position to resist the international companies' demands for higher crude prices likely to result from increased payments to the producing countries.



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JAPAN: When the Diet reconvenes today Prime Minister Sato will try to show greater flexibility on the China question.

In his opening policy speech Sato is expected to set precedent by referring to Communist China for the first time as the "People's Republic of China." At the same time he will again stress the need to maintain "international good faith" by supporting Nationalist China's right to a seat in the UN; the Foreign Ministry has confirmed press reports that in effect the prime minister will hold to a generally cautious position.

Pressure, however, is mounting from the opposition and from leading factions within Sato's Liberal Democratic Party (LDP) for new approaches toward Peking. The party executive board chairman, a ranking member of the LDP's second largest faction, announced that he may lead off the discussion on Sato's speech by suggesting UN membership for all divided countries--a concept that has attracted a fair amount of interest in Japan of late. The opposition parties doubtless will follow with some fireworks of their own on Sato's China policy.

Although no over-all consensus on China has yet been reached within the Sato government, there is widespread agreement that Taiwan's membership in the UN should be preserved, if possible. With local and upper house elections scheduled for this spring, however, Sato may well feel it advisable to make further gestures toward Peking.



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CHILE: The outcome of a senatorial by-election in April could have important ramifications, especially within the Christian Democratic Party.

The seat to be filled is the one vacated by Salvador Allende when he assumed the presidency. The Christian Democrats (PDC) have selected Andres Zaldivar, who is closely associated with former president Frei, as their candidate in the election to be held on 4 April in conjunction with nationwide municipal elections. The conservative National Party has nominated Silvia Alessandri, niece of the former president, and Allende's Popular Unity coalition has picked Socialist Adonis Sepulveda. The senatorial district is strongly leftist. Although Sepulveda is a relatively weak candidate with little personal support there, at present he seems likely to be the winner. The National candidate may withdraw before the 24 February deadline, however, thus avoiding a split in the opposition vote.

If Zaldivar wins the election, the moderate Christian Democrats will have a strong edge over those within the party who still want to cooperate closely with the Allende administration. His defeat, however, would debilitate the PDC even further.

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LATIN AMERICA: Prospects for the success of the OAS meeting on terrorism which opens Monday in Washington remain in considerable doubt.

This third special session of the OAS General Assembly is meeting to attempt to formulate a unified stand on terrorism in the hemisphere. It will consider a draft proposal which classifies certain acts of terrorism, including kidnaping, as common crimes rather than political acts that would entitle perpetrators to seek asylum. The draft is an effort to put teeth into last year's general resolution repudiating acts of terror.

Several foreign ministers have commented pessimistically over the lack of preparation and the failure so far to achieve a consensus. For example, Venezuela has termed the present draft "completely unacceptable" and prefers a narrow definition of terrorism. Brazil, on the other hand, is pressing for a wide-ranging convention and has indicated a reluctance to modify its position even if a majority votes against it.

Unless near unanimity can be achieved on a convention that goes considerably beyond last year's resolution, and unless it is quickly ratified, the meeting will be considered a failure by many. In addition, any bad feeling or inability to reach agreement that might result from the current meeting could affect the more serious problem of hemispheric policy toward Cuba.

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COLOMBIA-VENEZUELA: Relations between the two countries continue to deteriorate.

On Wednesday the Venezuelan Government for the first time made public its claim in the Gulf of Venezuela, which is reported to contain large oil deposits. The claim allows Colombia only the water directly off its coast, reserving the rest of the gulf to Venezuela.

Relations with Colombia have been further strained by reports of the recent forcible expulsion of 73 undocumented Colombians from Maracaibo. According to the press accounts, the Colombians--some of whom had lived in Venezuela for ten years--were rounded up and driven in armored cars to the border. They left their property and Venezuelan wives and children behind.

25X1 [redacted] there are 200,000 Colombians in Maracaibo. The Venezuelans complain that the Colombians are crowding hospitals and creating slums and are engaged in prostitution, drug traffic, and theft. According to Venezuelan Government figures, more than 35,000 Colombians have been expelled recently.

Reacting to the Colombian purchase of Mirages, the Venezuelans are intensifying efforts to modernize their air force. President Caldera last week denied that an arms race was under way, but he said that the air force needed new equipment to "assure fulfillment of the essential reasons for its existence." He added that the army, navy, and national guard also needed new equipment. Although Venezuela's armed forces are in need of modernization, further equipment purchases will be regarded by many in both countries as an arms race.

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PORTUGAL: Student demonstrations and strikes are continuing despite the government's announcement of a comprehensive educational reform program.

Student unrest, which began to build in December, erupted last week in a clash between activists and police. A number of students reportedly were injured and arrested. In response, militants called for a general strike and presented a long list of demands to the government, including the right to organize politically and to legalize student organizations.

The government apparently has concluded that the protests are politically motivated because they came after the presentation of a broad reform program prepared with student participation. In a nationwide speech on 6 January, Education Minister Simao outlined measures that would meet such basic student demands as more flexible courses, full-time professors, and greater accessibility for needy students to secondary and university education. Detailed proposals to implement these reforms are now under discussion.

The seeming political thrust of the protests has led to a strong government reaction, including the closure of the universities and the use of the police.

Such harshness, however, may tend further to radicalize moderate elements already alienated by the severity of the government's actions, particularly by alleged police brutality.

At this point, the stability of the regime is not threatened. Because the student population--particularly the number of activists--is small, it has little capability to affect the regime significantly. Protestors, however, do retain a strong nuisance value and their support could increase.

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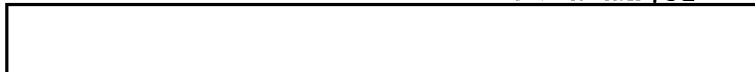
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POLAND: Party leader Gierek's exchange in Warsaw Tuesday with a worker-management delegation from the Baltic area apparently has damped down the situation for the moment, but the more militant workers show a lack of confidence in leadership promises. Labor unrest along the coast has diminished, but the pace of work remains slow with sporadic stoppages. Workers continue to meet, often in an unorganized forum to air their grievances, many of long standing. Local party leaders in Gdansk reportedly have indicated that Gierek would meet one of the workers' specific demands--paying a visit to the area--only if work is first resumed at a normal pace.



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BOLIVIA: The government may nationalize the banking system in the near future. An official of the bank workers' confederation, which opposes nationalization, told a US Embassy officer that a decree has been prepared. It is not known if foreign-owned banks would be included. In addition to two US branch banks, there are state-owned banks of Peru, Argentina, and Brazil and their nationalization could create problems with the governments involved. The impending nationalization and further controls on foreign-owned banks have been rumored for several weeks. During this month's abortive military coup, the national labor organization called for the nationalization of banks but this has not been a major leftist demand.



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DENMARK: In response to recent interest rate reductions abroad as well as increased inflationary pressures at home, Denmark's National Bank has lowered the official discount rate by one percent to eight percent. This is the first change since an increase in May 1969 and reflects Copenhagen's concern over the influx of volatile, short-term capital. The new rate, however, is still one of Europe's highest and will continue to attract capital inflows.

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